



# Southwest Missouri Cable TV, Inc.

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Office of the Secretary  
Federal Communications Commission  
Washington, D.C. 20554

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In response to the Notice of Inquiry with comments due August 23, 1996, GN Docket No. 96-113.

Dear Mr. Secretary and Commissioners:

Before addressing questions enumerated at Paragraph 24 of a notice of inquiry titled Identifying Market Entry Barriers for small business, we would like to make some comments and will proceed directly to our responses. We note that this docket is being handled by a recently created Office of Business Opportunity rather than one of the commission's operating bureaus. We are uncertain about the effectiveness of this inquiry since any resulting changes will have to be undertaken through the appropriate procedural vehicle which is the rule making. Therefore, it is clear to us at the outset that this effort is purely exploratory in nature and may not progress beyond this point.

Having been in the cable television business for 31 years now, Mom and I have learned to take commission actions such as this in our stride. However, this time because of earlier events we are very uneasy about the commission undertaking an effort such as this in view of developments in our industry since 1992. It hasn't been so many years ago that we saw similar actions on the part of the FCC taking bold steps to encourage the development of small business entities in the cable television business. This effort was pursued to the extent that the federal government actually utilized REA financing for small cable systems through the Department of Agriculture. The commission itself made it clearly known that this was an opportunity for small entrepreneurs in the cable television business. Thousands of small business people, who had previously been told by the FCC to take the related risks and grow the cable industry, were essentially put out of business by the cable act of 1992 and many fortunate enough to survive cannot to this very day acquire additional financing. Then it was decided that these terrible business people need some competition so they roll out huge corporate participation in the dbs business such as GM's DSS service and the Primestar partners and AT&T to name but a few. Is this any

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way for the government to reward success?? It's sort of like the government breaking both legs and tying an arm behind your back then putting you on a level playing field with four 800 lb gorillas. Wasn't it the big corporations that Mr. Danforth wanted to do this to? Why are you trying to kill the little guy? I guess what I am really trying to say is after all of this grief and heartache we now find ourselves confronted with the proposition that the government may actually try to help us. It seems like we have heard this before. Hearing someone saying we are with the government and we are here to help you has a hollow ring. If the commission truly means that it is going to create new small business opportunities and if the commission truly means that it is going to remove entry barriers into telephony, let us see an earnest action such as a full fledged rulemaking proceeding first because it doesn't take a rocket scientist to figure out that this is an election year and this so called inquiry could amount to nothing more than election year politics. In any event, we will participate in this inquiry proceeding but with considerable reservation. We have been betrayed too many times, but what the heck, I guess we can still try.

The ownership structure of Southwest Missouri Cable TV, Inc., is as follows: Mrs. Ruth I. Kolpin, 81% ownership, female, white caucasian. Dean Petersen, 18% ownership, male, white caucasian; mother and son.

The communications service Southwest Missouri Cable TV, Inc. provides is multichannel cable television programming.

Geographic regions served by Southwest Missouri Cable TV, Inc. is communities in southwest Missouri.

Primary markets: cable television and hopefully some day telephony.

Number of employees: 42. Managers, technicians and clerical.

Employee composition and job categories: clerical, white caucasian, female. Technical: white caucasian, male. Management: white caucasian, female.

Capital requirements for entry or expansion: approximately \$14 million.

Funding sources and methods of raising capital: private sector bank loans underwritten by Small Business Administration. (We cannot raise enough money because of Small Business Administration restrictions.)

Revenue, income and profit levels: Southwest Missouri Cable TV, Inc. earns approximately \$3.8 million annually. Income and profit figures presently on file at the commission.

Obstacles to accessing capital and credit: government regulations and feared continued government interference. New revenue streams are too poorly defined and too uncertain to access additional capital. Profit margins are simply unknown and business start up costs appear to be excessively high.

Access to capital by small business does not begin to even compare with the ease of financing available to big business today through the stock market and other sources. Because of this many small businessmen are very near to throwing in the towel. Many of them truly feel there is nothing they can do.

Obstacles small businesses face in their abilities to resell: Southwest Missouri Cable TV, Inc. is a participant in negotiations with Southwestern Bell for resale of local exchange services presently. We have signed the customary non-disclosure agreement with Southwestern Bell. We will make these observations. Since commencing negotiations with Southwestern Bell in April we have formed the opinion that Southwestern Bell is relying heavily upon information derived under non-disclosure from us using it to compete against us. Example: we revealed to Southwestern Bell our plan to utilize distribution of internet services by wireless transmission and we recently learned that now Southwestern Bell plans to make their local phone exchange a digital hub. We submit that this is no accident, in fact it took nearly three months just to get them to "understand" what we were proposing and frankly it does not appear the negotiations have proceeded any appreciable distance since the outset.

We are encouraged by the commission's 17-25% resale discount and would suggest that an additional discount based on small businesses degree of difficulty accessing capital be crafted and included for the benefit of small telecommunications businesses pursuing the resale of local and interexchange services. Example: Small companies with annual gross revenues of \$7 million and above, 25% discount; \$5 to 7 million, 27.5% discount; below \$5 million, 30% discount.

Deposit requirements: We cannot comment about deposit requirements because our negotiations have not even proceeded to that point regarding entry into resale.

Efforts to attract telephony clients to date have been frustrated because of AT&T's and LDDS' refusal to deal with us. We have contacted AT&T and we have contacted LDDS and they have essen-

tially told us that if we cannot generate at least 2 to 3 D.S.-3's of telephony traffic not to bother them. Recent contact with AT&T has shown some softening of AT&T's position although there has not been sufficient time to pursue this new development because we are busy responding to this inquiry among many other things.

Do small businesses have difficulty dealing with trade associations and other entities:

Small cable businesses have historically been poorly represented as members of the cable industry and generally not represented at all both at the state and federal levels. Small cable businesses have been coerced into believing that you have to play ball with the big boys and they will tell your story and then the big boys pursue their exclusive agenda. **There is a star on the horizon, however.** It is called the **Small Cable Business Association** which has begun making progress in telling the small businessman's story. But there is so much yet to be done and we worry that success will evade us because of our late beginning and the task before us is nearly insurmountable.

Other entities in our industry such as Time Warner and TCI and others are a constant source of frustration for us because we cannot buy our programming with any appreciable margin and therefore profits are getting more and more difficult to produce. All of this has occurred because we believed our trade associations when they told us that they would represent our interests only to turn and pursue the big corporations agenda. We have abandoned our board seat with the Missouri Cable Association and are seriously considering dropping our membership because they simply do not represent our interest at the state level.

Have small businesses faced any such problems regarding FCC policies or rules:

Southwest Missouri Cable TV, Inc. has faced continual problems regarding present FCC policies and rules, some of which, thank God, will be removed this October. The commission should know, however, that their stringent proof of performance requirements is making criminals of many small operators who simply cannot afford the expense and cannot field the expertise to comply. This is a source of a great deal of worry and concern on the part of these people. Leased access is not practicable and is actually a severe economic burden imposed on small business that is totally unnecessary.

We have no response to contracts for single bidders since we are not fortunate enough to have reason to participate.

The question the commission poses "Do small businesses encounter difficulties attracting strategic partners?" We will answer this question with another question. If you can't get financing because of instabilities created by government interference, if there is no apparent chance that there will be stability, if your business is essentially destroyed, how in the world does anyone think that the potential for establishing strategic alliances could ever exist?

Forming alliances: Southwest Missouri Cable TV, Inc. would love to form alliances with other entities; however, as indicated above, conditions for forming alliances are anything but favorable. Therefore, there are few if any terms and conditions to be considered for these small businesses.

The commission poses the question "Are there unique obstacles small businesses face in entering, providing service, or expanding in the telecommunications field that are not faced by businesses in other sectors?" To list these obstacles briefly, (1) Gaining recognition and acceptance as a local exchange, competitive access, or interexchange carrier is a difficult task. One that could take years to develop and with DBS eating our lunch, there may not be enough time. (2) Providing service to telephony users means a lot of additional cost, and without established cash flow, such efforts cannot be maintained on a sustained basis. It's getting started that is difficult and maybe impossible in small rural markets where a whole town may constitute approximately one D.S.-3 of telephony traffic. (3) Thus, expansion into telephony may not be economically feasible in small rural areas because the market is too small and with DBS market penetration proliferating in rural areas the small cable businesses will not have alternative revenue generating opportunities available. I respectfully remind the commission that this is the small businessman who took the FCC's advice in the 1970's and 1980's and brought cable service to his small community. Don't try to say he doesn't matter, he has the same rights as GM and AT&T and we must help him in some way.

Small business difficulties obtaining access to spectrum: Southwest Missouri Cable TV, Inc. participated in the recent PCS auctions and the MMDS auctions and honestly do not feel the participation with either MMDS or PCS will be profitable any time soon and certainly not soon enough to begin retiring the huge debt required to purchase the spectrum. In our opinion spectrum auctions benefit only the large corporations because even if we make an investment we will have to begin almost immediately to repay the debt incurred. We can't afford to wait 3, 5 or more years while the government decides what it is going to do.

Having reviewed and attempted to answer the last 21 questions posed by the commission in this notice of inquiry beginning with paragraph 24 it is quite obvious that there is no one at the commission that has operated or attempted to operate a business. These so called experts typify the U.S. Government today. The regulatory overkill experienced since 1992 is another clear cut case where federal legislation completely missed its mark. According to FCC figures there are slightly more than 1400 cable companies today that meet the commission's small company criteria. And if something is not done soon, very soon, there will be none left. Compiling the data drafted from this inquiry will probably take eight months. A rule making proceeding will take another year, if there is a rule making.

In sum, telecommunications policies are but a small part of the overall problem. America is adrift, without a unifying national goal. Big corporations are downsizing, small businessmen are quitting and everywhere we see the destruction of the middle class. The government has protected the RBOC's from competition for 100 plus years and in the process has created seven economic giants. Consolidation of the 7 RBOC's is not in the public interest because it will mean the elimination of the middle class. Instead, these seven companies should be split into 49 separate companies, thus the equation is one of multiplication, not division. The proposition of our small 4 million dollar company competing with Southwestern Bell, a 21 billion dollar company is downright ridiculous, even ludicrous. The bureaucratic dreamer who dreamed this one up is in dire need of a reality check. The U.S. Government's protectionist policies have made the RBOC's filthy stinking rich, it is grossly unfair to transition these Government made giants into an open competitive marketplace without appropriate restructuring and downsizing.

Very truly yours,



A. Dean Petersen  
President



Ruth I. Kolpin  
Chairman and CEO

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